

**So Ordered.**



Patina C Williams

**Patricia C. Williams  
Bankruptcy Judge**

**Dated: November 19th, 2012**

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF WASHINGTON

In re:

LLS AMERICA, LLC,

Debtor.

No. 09-06194-PCW11

BRUCE P. KRIEGMAN, solely in  
his capacity as court-appointed  
Chapter 11 Trustee for LLS America,  
LLC,

Plaintiff,

Adv. No. 11-80280-PCW

vs.

# GEOFFREY TOEWS,

MEMORANDUM DECISION RE:  
DEFENDANT GEOFFREY TOEWS'  
MOTION TO DISMISS (ECF NO. 8)

This adversary is one of hundreds commenced by the trustee of the LLS America, LLC (“LLS America”) bankruptcy estate which adversaries seek to recover money paid by the debtor to certain lenders or investors as part of an alleged Ponzi scheme conducted by the debtor. Defendant Geoffrey Toews filed a motion to dismiss on December 15, 2011, ECF No. 8.

In a similar adversary, *Kriegman v. Cooper*, No. 11-80093-PCW, a written decision was entered on July 2, 2012, ECF No. 146, regarding similar motions to dismiss

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1 and an oral decision was rendered on May 24, 2012, ECF No. 118, on the issue of  
2 pleading fraud with particularity (“Previous Decision”). The issues regarding dismissal  
3 raised in the subject motion are the same as those raised in the Previous Decision. Many  
4 of the facts in the Previous Decision are relevant to the subject motion.

5 By affidavit of Duane Swinton (ECF No. 18), the trustee presented evidence in  
6 this case that the defendant loaned or invested \$10,000 (CAN) and 14 promissory notes  
7 were issued. In 293 distributions occurring from January 2001 to February 2009, the  
8 defendant received \$373,251.06 (CAN). By declaration (ECF No. 11), the defendant  
9 presented evidence that he resides in Canada, rarely travels to the United States, and  
10 each promissory note listed a Canadian entity as borrower with distributions primarily  
11 made from Canadian entities. The declaration further states that the loans or investments  
12 were solicited in Canada, but no details were provided regarding the manner of  
13 solicitation.

14 The grounds for dismissal in the subject motion are: (1) ineffective service of  
15 process; (2) improper extraterritorial application of United States bankruptcy law; and  
16 (3) failure to state the alleged fraud with particularity as required by Fed. R. Civ. P.  
17 (9)(b). The reasoning regarding the denial of dismissal based on those grounds is set  
18 forth in the Previous Decision and is applicable to the subject motion.

19 As in the Previous Decision, one basis for the request to dismiss is the lack of  
20 personal jurisdiction. Unlike the situation in the Previous Decision, this defendant did  
21 not file a proof of claim in the underlying bankruptcy case of LLS America. This  
22 defendant did, however, seek affirmative relief in this adversary. As concluded in the  
23 Previous Decision, by filing a motion to withdraw reference of this adversary to the  
24 District Court for Eastern District of Washington, the defendant requested a  
25 determination whether this court or the District Court had authority to enter final orders  
26 in this adversary. That motion sought a ruling on a substantive legal issue. By requesting  
27 a ruling on the merits of a legal issue in this case, the defendant has consented to the  
28 exercise of jurisdiction by the federal courts of the Eastern District of Washington.

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1        The defendant filing the subject motion had sufficient minimum contacts to  
2 establish personal jurisdiction. Many of those facts in the Previous Decision are  
3 applicable to the defendant in this case. As stated in the Previous Decision and in the  
4 court's oral ruling (ECF No. 715) on the Chapter 11 Trustee's Nunc Pro Tunc Motion  
5 for Substantive Consolidation of Debtor and Non-Debtor Estates (ECF No. 449) in the  
6 underlying LLS America bankruptcy case No. 09-06194-PCW11, the promissory notes  
7 generally provided that any one of the group of LLS companies was responsible for  
8 repayment. That group of companies was managed and operated in Spokane,  
9 Washington. This adversary complaint alleges that the defendant knew or should have  
10 known that he was participating in a Ponzi scheme. Unlike the defendants in the  
11 Previous Decision, this defendant did not receive commissions, i.e., compensation for  
12 soliciting or locating other investors or lenders. However, the economic activity in which  
13 the defendant did engage was sufficient to establish minimum contacts for personal  
14 jurisdiction. For these reasons, the motion to dismiss is **DENIED**. Counsel for the  
15 defendant shall submit an order consistent with this decision.

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17                    //END OF MEMORANDUM DECISION//

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